

**PRIVACY NOTICE**

All social security numbers are requested by this agency in accordance with the requirements of the Internal Revenue Code. Disclosure is mandatory and this form will not be processed without this information.

# Application for Distribution of Contributions

If you have 10 years or more of creditable service, **STOP NOW** and read "Step 5: Loss of Pension Acknowledgement."

**You may experience a delay in payment if:**

- You **do not** complete all steps of this application and return it to PERF.
- You **do not** mail pages one through three. (These pages may not be faxed.)
- You **do not** use black ink.
- You **do not** print your name and social security number on EVERY page.

**You must:**

- Complete all information on all four pages and read the "Special Tax Notice" included at the end of this form.
- Give page four, "Employer's Report of Separation from Employment," to your most recent employer. You may include the signed form with your application or ask your employer to return it to PERF. If this is not possible, PERF will contact your employer, but this will delay the refund process.



■ Mail your completed, original form directly to PERF. Pages one through three may NOT be faxed.



A distribution will not be allowed in cases of a transfer, promotion, or otherwise continued employment with your employer. Re-employment in a PERF-covered position with any other employer is also excluded.

## STEP 1: Member Information (Please Print)

Social Security Number		Date (MM/DD/YYYY)	
First Name	MI	Last Name	
Address			
City		State	Zip Code
Daytime Phone		Evening Phone	
Email Address			

## STEP 2: Reason for Refund (Please check only one)

☐ Separation from Employment

Separation from employment may only occur upon termination of employment.

**Note:** A refund will not be allowed in cases of a transfer, promotion, or otherwise continued employment with your employer. Re-employment in a PERF-covered position with any other employer is also excluded.

☐ Disability Pending

Please attach a copy of your Social Security Pending Letter.

**Note:** A disability refund may only be taken if a benefit award letter from the Social Security Administration has not been received. If one has been received, please complete an Application for Disability Benefits.



Member Name (Last, First, Middle Initial)

Social Security Number

### STEP 3: Election for Annuity Savings Account Payment

Refunds from tax-deferred accounts, such as the Annuity Savings Account, have significant tax consequences. A Special Tax Notice appendix has been included at the end of this application to provide further information. You may also wish to seek reputable tax advice prior to making distribution decisions.

Choose a distribution option for BOTH the taxable and non-taxable portions of your Annuity Savings Account. This will avoid processing delays. Rollover checks will be issued in both the name of the financial institution that will receive the rollover and your name. Please ensure that the account you choose is qualified to receive rollover contributions.

**The choice for payment of the Annuity Savings Account cannot be changed after this form has been processed by PERF.**

#### 1. Taxable Portion (In this section, mark ONE box only.)

☐ A. The entire Taxable Portion paid directly to me, less mandatory federal taxes withheld.

☐ B. Direct rollover of the entire Taxable Portion

\_\_\_\_\_  
Name of Eligible 401(a), 403(b) or governmental 457(b) Retirement Plan or Traditional IRA (For example: Edward Jones).

☐ C. Partial Rollover in the amount of \$ \_\_\_\_\_. Balance of Taxable Portion (less withholding) paid to me.

\_\_\_\_\_  
Name of Eligible 401(a), 403(b) or governmental 457(b) Retirement Plan or Traditional IRA (For example: Edward Jones).

#### 2. Non-Taxable Portion (In this section, mark ONE box only.)

☐ A. The entire Non-Taxable Portion paid directly to me.

☐ B. Direct rollover of the entire non-taxable portion.

\_\_\_\_\_  
Name of Eligible 401(a), 403(b) or governmental 457(b) Retirement Plan or Traditional IRA (For example: Edward Jones).

☐ C. Partial Rollover in the amount of \$ \_\_\_\_\_. Balance of Taxable Portion (less withholding) paid to me.

\_\_\_\_\_  
Name of Eligible 401(a), 403(b) or governmental 457(b) Retirement Plan or Traditional IRA (For example: Edward Jones).

### STEP 4: Election for State Income Tax Withholding

Indiana income tax withholding for Indiana citizens is optional on payments from the Fund. If you are an Indiana resident and wish to have Indiana tax withheld at this time, withholding at the applicable Indiana tax rate of 3.4% will apply. Please check the following box if you would like to have Indiana income tax withheld from the taxable portion of your distribution.

**If you do not check the box, PERF will NOT withhold Indiana income tax from your Annuity Savings Account distribution.**

☐ I am an Indiana resident and would like to have Indiana income tax withheld from the taxable portion of my distribution.

☐ I am not a resident of Indiana. (Please note that PERF does not withhold state income tax for individuals living outside of Indiana at the time of distribution.)



Member Name (Last, First, Middle Initial)

Social Security Number

## STEP 5: Loss of Pension Acknowledgement

I agree that if I have ten (10) years or more of creditable service, the following applies:

I understand that by signing this Application for Refund of Contributions, **I give up my rights to a pension benefit from PERF and lose my creditable service earned to date.** By signing below, I agree that PERF holds no liability in honoring my request for a refund of my contributions and accrued interest.

## STEP 6: Member Affidavit and Notarization



***If your application is NOT notarized, it will not be processed.***

*You must sign this section in front of a Notary Public and then the Notary Public must sign, date and seal it.*

I have carefully read the form and understand it, and I have read all of the information included with the application.

All of the information I have provided and the questions I have answered are full, complete and true, and no material fact has been concealed or omitted.

I understand that I am not allowed, by law, to enter a PERF-covered position with any employer within thirty (30) days of this termination date. In addition, I am not continuing uninterrupted employment in any capacity (full or part time) in a PERF-covered or non-covered position in any department of my current employer. If I fail to meet either of these conditions, I will be required to return all funds I receive to PERF.

Pursuant to IC 5-10.2-3-5 and IC 5-10.2-3-6, I hereby suspend my membership in the Fund and request a refund of my contributions plus interest credited to me. I understand fully that once this claim has been processed by PERF and I have received a refund check or warrant, this transaction may not be voided by a return check, warrant or money order.

Please  
sign  
here



Member Signature

Printed Name

Subscribed and sworn to before me, a Notary Public in and for the state and county named:

On this date \_\_\_\_\_  
MM/DD/YYYY

State of \_\_\_\_\_

County of \_\_\_\_\_

Commission Expiration Date (MM/DD/YYYY)

Notary Signature and Seal

Notary's County of Residence

Notary's State of Residence

Notary's Name (please print)

## Employer's Report of Separation from Employment

First Name	MI	Last Name	Social Security Number
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Federal law prohibits PERF from making distributions from the fund prior to "separation from employment." Uninterrupted service in any capacity or reemployment that is a continuation of employment will prevent PERF from making distributions to the employee.

### Last Day in Pay Status

Please fill this out during the employee's exit interview.



**The last day in pay status is needed to process this member's benefit.** Last day in pay status is the last day for which this employee was entitled to receive his or her regular wages. Regular wages paid may include pay for a day worked, a sick day, vacation day or another paid leave permitted under your personnel policy. The last day in pay status and the last check date are typically different.

The last day in pay status (MM/DD/YYYY): \_\_\_\_\_

The last check date, if known (MM/DD/YYYY): \_\_\_\_\_

Did the employer-employee relationship extend beyond the last day in pay status? ☐ Yes ☐ No

If the relationship continued, please explain: \_\_\_\_\_

### School Employers Only

Please indicate the type of school service being reported. Be sure to check the appropriate box below indicating whether the employee should receive full credit, contract credit or credit for time worked. Members who were hired after the beginning of the school year or terminated before the end of the school year cannot earn a full year of service unless they were under a specific contract that kept them from working the entire school term.

☐ School Year Credit (full year) ☐ Contract Year Credit (full year) ☐ Service Credit for Time Worked (partial year)

### Authorization to be Signed by Authorized Agent

I certify that the above information is true and accurate to the best of my knowledge and that I am the individual formally authorized to accept any pension liability for and on behalf of the governing body of this employer. I understand that any error in this certification of service can only be corrected prior to the processing of the member's benefit application.

Signature of Authorized Agent	Printed Name of Authorized Agent
Title of Authorized Agent	Date
Name of Employer	Employer Account Number

Sign  
Here



Upon completion, please mail to PERF: 143 West Market Street, Indianapolis, IN 46204. Or fax this page to: (317) 234-1226.  
**Page four is the ONLY one that may be faxed. Pages one through three must be mailed to PERF.**

## Special Tax Notice

### Special Tax Notice Regarding Plan Payments Under Governmental 401(a) Plans

This notice explains how you can continue to defer federal income tax on your retirement savings in the Indiana Public Employees' Retirement Fund (the "Plan" or "PERF") and contains important information you will need before you decide how to receive your Plan benefits. If you received this notice electronically, you may request from PERF a paper copy of this notice at no charge to you.

This notice is provided to you by PERF because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or PERF to an IRA or an eligible employer plan. A rollover is a payment by you or PERF of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). Note, however, that for a distribution made after December 31, 2007, your payment can be rolled over to a Roth IRA subject to the same limits that apply to rollovers from a traditional IRA to a Roth IRA (i.e., for tax years prior to January 1, 2010, your adjusted gross income cannot exceed \$100,000 and you must not be married filing separately). An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if an eligible employer plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to an IRA or split your rollover amount between the employer plan in which you will participate and an IRA. If an eligible employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

If you have additional questions after reading this notice, you can contact PERF at (888) 526-1687 or (317) 233-4162.


### Summary

There are two ways you may be able to receive a Plan payment that is eligible for rollover:

- (1) Certain payments can be made directly to an IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"); or
- (2) The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER to a traditional IRA or an eligible employer plan:

- Your payment will not be taxed in the current year and no income tax will be withheld.
- You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a Roth IRA (see the special rules for rollovers to Roth IRAs below), a SIMPLE IRA, or a Coverdell Education Savings Account because these are not traditional IRAs.
- The taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.

 Note that for a distribution made after December 31, 2007, you can choose a direct rollover to a Roth IRA subject to the same limits that apply to rollovers from a traditional IRA to a Roth IRA (i.e., for tax years prior to January 1, 2010, your adjusted gross income cannot exceed \$100,000 and you must not be married filing separately). If you make a direct rollover of your distribution to a Roth IRA, the amount of your distribution will be included in your taxable income (except for any portion of the distribution that represents a return of your after-tax contributions to the Plan). You may be able to elect to delay recognizing the distribution as part of your taxable income until 2011 and 2012 if you elect a direct rollover to a Roth IRA in the 2010 taxable year. A direct rollover of your distribution to a Roth IRA avoids the 10% tax on early distributions received prior to the date you reach age 59-1/2, become disabled, or retire under the terms of the Plan. You should consult your tax advisor if you are interested in rolling over your distribution to a Roth IRA.

## Special Tax Notice, cont.

### If you choose to have a Plan payment that is eligible for rollover PAID TO YOU:

- You will receive only 80% of the taxable amount of the payment, because PERF is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59-1/2, you may have to pay an additional 10% tax. See special note below for qualified public safety employees.
- You can roll over all or part of the payment by paying it to your IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over to a traditional IRA or eligible employer plan will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

**Qualified Public Safety Employees.** On and after August 18, 2006, if you are a "qualified public safety employee" who terminates employment in the calendar year in which you are age 50 or older, and receive an eligible rollover distribution, you will not have to pay the additional 10% tax on a payment that is eligible for rollover and PAID TO YOU. You are a "qualified public safety employee" if you are an employee of a State or political subdivision of a State (such as a county or city) whose principal duties include services requiring specialized training in the area of police protection, firefighting services, or emergency medical services for an area within the jurisdiction of the State or political subdivision.

**Your Right to Waive the 30-Day Notice Period.** Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. You may do this by completing an application and submitting it to PERF. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by PERF.

### More Information

- I. Payments that Can and Cannot Be Rolled Over
- II. Direct Rollover
- III. Payment Paid to You
- IV. Surviving Spouses
- V. Other Beneficiaries
- VI. Special Rules for Surviving Spouses and Other Beneficiaries

#### I. Payments that Can and Cannot Be Rolled Over

Payments from the Plan may be "eligible rollover distributions." This means that they can be rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers, or beginning January 1, 2008, they can be rolled over to a Roth IRA. Payments from a plan cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account. PERF should be able to tell you what portion of your payment is an eligible rollover distribution.

**After-tax Contributions.** If you made after-tax contributions to the Plan, these contributions may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

**(a) Rollover into a Traditional IRA.** You can roll over your after-tax contributions to a traditional IRA either directly or indirectly. PERF should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion.

If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the Service on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined.

Once you roll over your after-tax contributions to a traditional IRA, those amounts CANNOT later be rolled over to an employer plan.

**(b) Rollover into an Employer Plan.** Beginning January 1, 2007, you can roll over after-tax contributions from an employer plan that is qualified under Code section 401(a) to another such plan or to a Code section 403(b) annuity contract using a direct rollover if such other plan or annuity contract provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on



## Special Tax Notice, cont.

those contributions. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct PERF to make a direct rollover on your behalf. You can also roll over after-tax contributions from an employer plan that is qualified under Code section 401(a) to a traditional IRA; however, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan. You CANNOT roll over after-tax contributions to a governmental 457 plan.

**The following types of payments CANNOT be rolled over:**

**Payments Spread over Long Periods.** You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

- your lifetime (or a period measured by your life expectancy), or
- your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
- a period of 10 years or more.

**Required Minimum Payments.** Beginning when you reach age 70-1/2 or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. Special rules apply if you own more than 5% of your employer.

**Hardship Distributions.** A hardship distribution cannot be rolled over.

**Corrective Distributions.** A distribution that is made to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded cannot be rolled over.

PERF should be able to tell you if your payment includes amounts which cannot be rolled over.

## II. DIRECT ROLLOVER

A **DIRECT ROLLOVER** is a direct payment of the amount of your Plan benefits to an IRA or an eligible employer plan that will accept it. You can choose a **DIRECT ROLLOVER** of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. Except for a direct rollover to a Roth IRA on or after January 1, 2008, you are not taxed on any taxable portion of your payment for which you choose a **DIRECT ROLLOVER** until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a **DIRECT ROLLOVER**.

**DIRECT ROLLOVER to an IRA.** You can open a traditional IRA, or beginning January 1, 2008, a Roth IRA, to receive the direct rollover. If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to make sure that the IRA you choose will allow you to move all or a part of your payment to another IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on IRAs (including limits on how often you can roll over between IRAs).

**DIRECT ROLLOVER to a Plan.** If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a **DIRECT ROLLOVER to an IRA**. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

**DIRECT ROLLOVER of a Series of Payments.** If you receive a payment that can be rolled over to an IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a **DIRECT ROLLOVER** for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

**Change in Tax Treatment Resulting from a DIRECT ROLLOVER.** The tax treatment of any payment from the eligible employer plan or IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or an IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections below entitled "Additional 10% Tax if You Are under Age 59-1/2" and "Special Tax Treatment if You Were Born before January 1, 1936."

## Special Tax Notice, cont.

### III. Payment Paid to You

If your payment can be rolled over (see Part I above) and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

#### Income Tax Withholding:

**Mandatory Withholding.** If any portion of your payment can be rolled over under Part I above and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of \$10,000, only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full \$10,000 as a taxable payment from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.


**Voluntary Withholding.** If any portion of your payment is taxable but cannot be rolled over under Part I above, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask PERF for the election form and related information.

**Sixty-Day Rollover Option.** If you receive a payment that can be rolled over under Part I above (except after-tax amounts), you can still decide to roll over all or part of it to an IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to an IRA or eligible employer plan within 60 days after you receive the payment. Unless you roll over your distribution to a Roth IRA, the portion of your payment that is rolled over will not be taxed until you take it out of the IRA or eligible employer plan. If you roll over to a Roth IRA, the distribution will be included in your taxable income for the year in which it was paid to you.

If you want to roll over a payment you received to a traditional IRA or eligible employer plan, you can roll over up to 100% of your payment (that can be rolled over as explained under Part I above), including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

**Example:** The taxable portion of your payment that can be rolled over under Part I above is \$10,000, and you choose to have it paid to you. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of part or all of the \$2,000 withheld.

If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000.)

 **Additional 10% Tax If You Are under Age 59-1/2.** If you receive a payment before you reach age 59-1/2 and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), (4) payments that are paid directly to the government to satisfy a federal tax levy, (5) payments that are paid to an alternate payee under a qualified domestic relations order, (6) payments that do not exceed the amount of your deductible medical expenses, (7) payments to a qualified public safety employee who separates from service during or after the year reaching age 50, or (8) a qualified reservist distribution from a deemed IRA or attributable to elective deferrals under a 401(k) plan or 403(b) annuity. See IRS Form 5329 for more information on the additional 10% tax.

**Special Tax Treatment If You Were Born before January 1, 1936.** If you receive a payment from a plan qualified under section 401(a) that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution," it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59-1/2 or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59-1/2 or have become disabled). For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least




## Special Tax Notice, cont.

five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

**Ten-Year Averaging.** If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

**Capital Gain Treatment.** If you receive a lump sum distribution and you were born before January 1, 1936, and you were a participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan taxed as long-term capital gain at a rate of 20%.

 **There are other limits on the special tax treatment for lump sum distributions.** For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract, a governmental 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

### IV. Surviving Spouses

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees.

If you are a surviving spouse, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a **DIRECT ROLLOVER** to an IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

### V. Beneficiaries

If you are a beneficiary other than a surviving spouse and receive a distribution on or after January 1, 2007, you can choose to be paid in a **DIRECT ROLLOVER** to a traditional IRA, which will be treated as an inherited IRA subject to the minimum distribution rules applicable to beneficiaries. You cannot choose a direct rollover to a Roth IRA or an eligible employer plan, and you cannot roll over the payment yourself.

### VI. Special Rules for Surviving Spouses and Other Beneficiaries

If you are a surviving spouse or another beneficiary, your payment is generally not subject to the additional 10% tax described in Part III above, even if you are younger than age 59-1/2.

If you are a surviving spouse or another beneficiary, you may be able to use the special tax treatment for lump sum distributions, as described in Part III above. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Plan.

### VII. How to Obtain Additional Information

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with a professional tax advisor before you take a payment of your benefits from your Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office, on the IRS's Internet Web Site at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-FORMS.